



# **Unclaimed Property in the Banking Industry**

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**October 1, 2024**



# Agenda

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- Introduction
- The Basics
- **OUTREACH!**
- Best Practices and Common Errors
- Audit Update
- Inhouse or Outsource
- Macha Unclaimed Property Support



A vertical image on the left side of the slide showing a close-up of wood grain with various shades of grey and black, creating a textured, wavy pattern.

# What is Unclaimed Property?

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Unclaimed Property is an asset that has  
been untouched for a period of time!

# The Basics - Property Types

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- Savings
- Checking
- CD's
- Cashier Checks
- IRAs
- Safe Deposit Box Contents
- Accounts Payable

# The Basics – Where to Report

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- Property is reportable to the state of the member's/customer's last known address
- Safe deposit box contents are reportable to the state where the box was located
- Money orders are reportable to the state where the money order was purchased (see MoneyGram Update Slide)

# The Basics – CD's and IRA's

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## CDs

- The dormancy clock starts at the first renewal date
- Automatic renewals is no longer contact unless you have contact with the owner

## IRA's

- The dormancy clock starts
  - First RMD
  - Owner is deceased
  - Secure Act = 70 ½ to 72, then 73 in 2023 and 75 in 2033
  - What does the individual state law say

# Linkage



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Most members/customers have multiple accounts

- The active Checking Account also activates the inactive Savings
- DOLC should be updated to multiple accounts and linked to the activity
- In the Credit Union Industry, the membership account is usually inactive after opened
- Caveats
  - Some Auto-payments
  - Different address in some states (i.e. Illinois)



# Power of communication

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# Outreach

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Every state has a due diligence requirement to mail a due diligence letter to the owner's last known address

Address is considered "good"

Most states require account value of \$50

Required timeframe, usually not less than 60 days or more than 120 days prior to reporting

A few states require due diligence be sent via Certified Mail on assets with a good address

Illinois

Maine

Nevada

New Jersey

New York

North Dakota

Ohio

UT

# State Mandated Due Diligence

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- Due diligence is the requirement of mailing a letter to the owner's last known address prior to escheatment
- Most states require value to be \$50 or more
  - Exemptions include Texas \$250 or more, New York and Connecticut has no minimum, Virginia is \$100 or more
- If the account has a known bad address (RPO – mailed returned by the Post Office), due diligence is not required
- The most common time from is not more than 120 days and not less than 60 days prior to filing the report
  - Exemptions include California not less than six months or more than twelve months prior to filing report
- Every state has some required language to be included in the due diligence letter
  - States like California even have font and bolding requirements

# Certified Mail

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## Illinois

Securities with a value of \$1,000 or more

## Maine

Securities with a value of \$1,000 or more

## Nevada

Securities, Retirement Accounts, and Virtual currency with a value of \$1,000 or more

## New Jersey

All Property with a value of \$50 or more

## New York

- Value of \$1,000 or more with a good address
- At least 60 days prior to filing the report – done after First Class Mailing requirement

## North Dakota

- Securities with a value of \$1,000 or more

## Ohio

- All property with a value of \$1,000 or more

## Utah

- Securities with a value of \$1,000 or more

# Advertising

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## New York

- Publish an alphabetical list of owner names by last name, including addresses, in a newspaper published in the city or village where the property is payable, except in New York City, where it must be published in the county where it is payable.
- Banking Property - \$50 or more / Month of August – on or prior to September 1<sup>st</sup>
- Life Insurance Property - \$50 or more / Month of April – on or prior to May 1<sup>st</sup>
- Property and Casualty Insurers - \$50 or more / Month of April – on or prior to May 1<sup>st</sup>

**Guam and Puerto Rico also have Advertising Requirements for Banking Industry**

# Why Do More?

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- What is the average customer/member acquisition cost (CAC)
  - Consumer \$396
  - Small business \$607
- What is the cost for owner location and reengagement services
  - Average \$6.95 - \$9.95 per outreach
  - 60+% success rate
  - Estate Care Center Solution
    - Paid by Estate

# MoneyGram Case Update

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In a case involving over 8 years of litigation, a Supreme Court hearing on unclaimed property and a decision against the state of Delaware, a transfer of \$102 million will be made in settlement of the lawsuit to 30 participating states. In addition, another \$89 million deposited into an escrow account during the litigation will be distributed to the states.

In a unanimous opinion in 2023, the Supreme Court decided against Delaware; MoneyGram funds should be reported to state of issuance and not state of incorporation.

Future of Cashier Checks?

The Supreme Court said MoneyGram checks and similar instruments should be treated like Money Orders and reported to state of issuance. Does this mean Cashier Checks too??????

# Bad Press and Lawsuits

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## JLI Invest S.A. et al. v. Cook et al.

- Two foreign scientists sued when their \$13.7 million in Idenix stock was escheated and liquidated by the State of Delaware
- Liquidated at \$3.03 a share or \$1,695,851.75
- Sued Merck, Transfer Agent and State of Delaware (plus two current and three former Department of Finance officials)
- Enhanced outreach would have additional outreach including calling owners

## Eugene & Ann B.

- Investments valued at \$275K with their Broker and sent to California
- Eugene and Ann lived at same house for over 30 years
- Broker and California both blamed each other
- Enhanced outreach would have sent additional mail and phone calls

# **Best Practices and Common Errors**

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## **In-house Verses Outsource**





# Best Practices

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- Up-to-date Policy & Procedures
- Early and multiple Outreach
- Report to individual states
- File 2-3 weeks early
- Know when it is time to Outsource
- Inform tellers and call center letters were mailed (share copy)

Conduct a self audit

Get help when under audit

Inform management on what is unclaimed property

Inform management on escheat costs and amount escheat yearly

Record Retention

# Best Practices – Post Escheat

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The report and property has been sent to the state. Here are some final steps:

- Ensure copies of reports are filed in a secured setting
- Record retention is usually ten years + dormancy (a best practice is to keep records longer)
- Verify reports were uploaded correctly / received
- Verify payments were cashed (if paid by check)
- Create a letter for member/customer if they come forward
  - Your account/asset was reported to XXX on the 20XX report
  - Let them know states may take up to six months to upload the report

# Common Errors – A Baker’s Dozen

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- No or outdated Policy & Procedures
- Only reporting to home state
- Not filing at all
- Not understanding when dormancy clock states
- Not linking accounts
- Using incorrect Date of Last Contact (DOLC)
- Using incorrect property types
- Missing property types (i.e., IRA)
- Missing account info (DOB, Beneficiary)
- Deducting fees incorrectly
- Not mailing due diligence
- Handling of deceased owners
- Going alone on a multi-state audit

1. Banking Industry continues to be targeted
2. Small and Mid-sized Financial Institutions
3. Smaller Audit Firms

What is the banking industry being targeted?

- Looking for Deceased Owners
- Merger and Acquisitions
- IRA's
- Cashier Checks
- Looking for non-compliance in small and mid-size organizations



# **An Update on Audits in the Unclaimed Property Industry**

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# Should we continue In-house or Outsource Unclaimed Property Compliance?

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## Why keep in-house:

- Minimal property to report
- Only report to a few states
- Have unclaimed property experience
- All going well
- Cost

## Why outsource:

- Never reported
- Growing
- Report to over 20 states
- Lack unclaimed property experience
- Time
- Being audited
- Cost



# **Unclaimed Property Benefits for Macha Members**

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[UnclaimedProperty@Macha.org](mailto:UnclaimedProperty@Macha.org)

# Macha Unclaimed Property Benefits



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## Access to Mike Ryan

- Have questions on unclaimed property? Mike Ryan is available for questions

## Policy & Procedures

- Macha Members have access to a generic unclaimed property policy & procedures

## Dormancy Maps

- Map of dormancy periods for checking and savings accounts

## Reporting Maps

- Map of reporting dates for banking industry

# Costs

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<b>Benefit</b>	<b>Measurement</b>	<b>Cost to Macha Members</b>	<b>Cost to Non-Macha Members</b>
Dormancy Map	Map of dormancy periods for Checking & Savings Accounts	Free	\$49
Reporting Map	Map of reporting dates for banking industry	Free	\$49
Generic UP Policy & Procedures	Excellent Starting Version of UP Policy & Reporting Procedures	Free	\$595
UP Questions	Email Mike	Free	\$250 per hour
Proposals for Owner Location and Reengagement Services or to Outsource UP Reporting	Email Mike	Based on Volume	



# Unclaimed Property Websites



[www.unclaimed.org](http://www.unclaimed.org)

- Website for National Association of Unclaimed Property Administrators. Link to each individual state

[www.missingmoney.com](http://www.missingmoney.com)

- Website to look for unclaimed property. Most states participate

[www.uppo.org](http://www.uppo.org)

- Website for unclaimed property professionals, a holder educational organization

[www.linkingassets.com](http://www.linkingassets.com)

- Unclaimed property partner that provides owner location and reengagement services

UP Reporting Software or Outsource

- Mike's Top Three (in Alpha Order)
  - DMA – [www.dmainc.com](http://www.dmainc.com)
  - Ryan – [www.ryan.com](http://www.ryan.com)
  - Sovos – [www.sovos.com](http://www.sovos.com)

# Unclaimed Property Terms

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## **HOLDER**

## **OWNER**

## **STATE REPORTING**

## **RECIPROCAL REPORTING**

## **ESCHEATMENT**

## **PROPERTY TYPES**

## **DORMANCY PERIOD**

## **AS OF DATE**

## **DOLC**

## **DUE DILIGENCE**

## **INFORMAL DUE DILIGENCE**

## **FORMAL DUE DILIGENCE**

- Business entity that issued property to owner and has possession of the property but not legal title
- Business or individual that has interest in property (issued by the Holder) and has legal title, but is not in possession
- Listing of escheatable property submitted to the state
- Reciprocal Reporting is when you report all property to one state (usually your home state)
- Reporting and transferring abandoned and unclaimed property to the state
- Payroll, AP, AR etc. that issue funds, payments, credits to others in which property may go unclaimed
- Statutory period of time, without owner-initiated contact or activity, that must elapse before a state can consider a property abandoned
- Date determined by state in which unclaimed property has become stale/dormant
- Date of Last Contact
- Efforts the holder takes to contact the owner to advise of unclaimed property
- Courtesy owner outreach efforts (e.g. emails, phone calls, etc.) - optional
- Owner notifications to be performed after property becomes dormant but before reporting/escheatment to a jurisdiction – required by law

# Unclaimed Property Terms

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## **1ST PRIORITY RULE**

- Abandoned property must be escheated to the state of the owner's last known address

## **2ND PRIORITY RULE**

- If address of the property owner is unknown or incomplete, property is to be reported to state of legal entity's incorporation

## **RPO**

- Returned by the Post Office as undeliverable

## **NEGATIVE REPORT**

- Zero due or no liability due report submitted to the state

## **UPPO**

- Unclaimed Property Professionals Organization – organization of Unclaimed Property Professionals to collaborate and learn about UP – [www.UPPO.org](http://www.UPPO.org)

## **NAUPA**

- National Association of Unclaimed Property Administrators facilitates collaboration among state administrators to reunite property with owners – [www.Unclaimed.org](http://www.Unclaimed.org)

## **ASSET RECOVERY**

- Reclaiming property escheated by another Holder

## **OWNER REDEMPTION**

- Holder reissuing property to owner after receiving completed and verified owner notification or due diligence request

# Thank you

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Michael J. Ryan

646-706-6265

[Mike.Ryan@LinkingAssets.com](mailto:Mike.Ryan@LinkingAssets.com)

[www.LinkingAssets.com](http://www.LinkingAssets.com)

[UnclaimedProperty@Macha.org](mailto:UnclaimedProperty@Macha.org)